

**Ogemaw District Library
Ogemaw County, Michigan
Financial Report
With Supplemental Information
September 30, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name OGEMAW DISTRICT LIBRARY	County OGEMAW
Fiscal Year End SEPTEMBER 30, 2006	Opinion Date JANUARY 19, 2007	Date Audit Report Submitted to State FEBRUARY 2, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

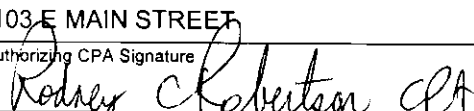
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NOT REQUIRED	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON & CARPENTER CPAs, P.C.		Telephone Number 989-685-2411	
Street Address 103 E MAIN STREET		City ROSE CITY	State MI
Authorizing CPA Signature 		Printed Name RODNEY C. ROBERTSON	Zip 48654
		License Number 11010007829	

Ogemaw District Library

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ROBERTSON & CARPENTER CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 69 • 103 E. Main Street • Rose City, Michigan 48654

Phone (989) 685-2411 • Fax (989) 685-2412

Other office: Mio, Michigan

Rodney C. Robertson, CPA

Robert J. Carpenter, CPA

INDEPENDENT AUDITOR'S REPORT

Library Board
Ogemaw District Library
Ogemaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Ogemaw District Library as of and for the year ended September 30, 2006, which collectively comprise the Ogemaw District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ogemaw District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Ogemaw District Library as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 3 through page 8 and page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Ogemaw District Library's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is presented for the purpose of additional analysis. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson & Carpenter CPAs, P.C.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
January 19, 2007

Management's Discussion and Analysis

As management of Ogemaw District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended September 30, 2006.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$525,800 (*net assets*). Of this amount, \$321,260 (*unrestricted net assets*) may be used to meet the Library's ongoing obligations.
- The Library's total net assets increased by \$42,567.
- As of the close of the current fiscal year, the Library's general fund, the only governmental fund, reported an ending fund balance of \$331,956, an increase of \$36,823 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$331,338 or 157% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Library consist of culture-related activities. The Library does not have any business-type activities as of and for the year ended September 30, 2006.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Library's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Library adopts an annual appropriated budget for its General Fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded its liabilities by \$525,800 at the close of the most recent fiscal year.

A portion of the Library's net assets (39%) reflects its investment in capital assets (e.g., land, buildings, books and audio-visual materials, and equipment). The Library uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Library's Net Assets

	Governmental Activities September 30, 2006	Governmental Activities September 30, 2005
Current and Other Assets	\$ 354,642	\$ 309,056
Capital Assets, Net	203,922	196,532
Total Assets	<u>\$ 558,564</u>	<u>\$ 505,588</u>
Current Liabilities	\$ 22,686	\$ 13,923
Total Current Liabilities	<u>22,686</u>	<u>13,923</u>
Long-term liabilities		
Compensated absences	10,078	8,432
Total Long-term liabilities	<u>10,078</u>	<u>8,432</u>
Net Assets:		
Invested in Capital Assets	203,922	196,532
Restricted for Building	618	610
Unrestricted	321,260	286,091
Total Net Assets	<u>\$ 525,800</u>	<u>\$ 483,233</u>

The Library's net assets increased by \$42,567 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$35,169 or 12%, during fiscal year 2006.

Library's Changes in Net Assets

	Governmental Activities <u>September 30, 2006</u>	Governmental Activities <u>September 30, 2005</u>
Revenue:		
Program Revenue:		
Charges for services	\$ 4,233	\$ 4,421
Operating Grants and Contributions	2,050	2,050
General Revenue:		
Property Taxes	57,903	55,587
State-Shared Revenues	8,468	10,195
Penal Fines	152,180	149,083
Interest and Rent Earnings	8,415	3,399
Other	<u>14,317</u>	<u>6,218</u>
Total Revenue	\$ 247,566	\$ 230,953
Expenses:		
Culture	\$ <u>204,999</u>	\$ <u>203,824</u>
Total Expenses	\$ 204,999	\$ 203,824
Increase in Net Assets	42,567	27,129
Net Assets, Beginning of Year	<u>483,233</u>	<u>456,104</u>
Net Assets, End of Year	\$ <u>525,800</u>	\$ <u>483,233</u>

Governmental activities. The Library's total governmental revenues increased by \$16,613 compared to the prior fiscal year. This was primarily attributed to an increase in donations of approximately \$4,400. Expenses increased by \$1,175.

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Library's governmental fund reported an ending fund balance of \$331,956, an increase of \$36,823 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Library's discretion, constitutes \$331,338. The amount reserved for building is \$618.

The only governmental fund is the General Fund of the Library. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 157% of total general fund expenditures.

The fund balance of the General Fund increased by \$36,823 during the current fiscal year.

General Fund Budgetary Highlights

The Library's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. The General Fund budget was amended in a legally permissible manner during the fiscal year.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of September 30, 2006, amounted to \$203,922 (net of accumulated depreciation). Investment in capital assets includes land, buildings, furniture and fixtures, equipment, and books and audio-visual materials. Additions totaled \$35,945 for the fiscal year. Additions included equipment of \$16,906 and books, audio-visual materials, etc. of \$17,740.

Library's Capital Assets (net of depreciation)

	<u>September 30, 2006</u>	<u>September 30, 2005</u>
Land	\$ 4,500	\$ 4,500
Buildings	72,181	73,773
Furniture and Fixtures	2,866	3,119
Machinery and Equipment	16,532	1,450
Books, Audio-Visual materials, etc.	<u>107,843</u>	<u>113,690</u>
Total	\$ <u>203,922</u>	\$ <u>196,532</u>

Additional information on the Library's capital assets can be found in note 5 on page 18 of this report.

Factors Bearing on the Library's Future

The following factors were considered in preparing the Library's budget for the 2006-2007 fiscal year:

- The penal fine money received by the library varies from year to year. For 2005-2006, the Library received \$152,180 in penal fine money, representing 61% of the revenues in the General Fund. The amounts of penal fine revenues for future periods are uncertain and will affect the Library's future budgets. The Library's millage provides approximately \$58,000 of revenue per year. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ogemaw District Library
Librarian's Office
107 W. Main Street
Rose City, Michigan 48654

Ogemaw District Library
Statement of Net Assets
September 30, 2006

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 354,642
Capital assets-net	<u>203,922</u>
Total assets	<u>558,564</u>
Liabilities	
Accounts payable	13,600
Accrued and other liabilities	6,461
Deferred revenue (Note 4)	2,625
Long-term liabilities:	
Due in more than one year (compensated absences)	<u>10,078</u>
Total liabilities	<u>32,764</u>
Net Assets	
Invested in capital assets	203,922
Restricted for building	618
Unrestricted	<u>321,260</u>
Total net assets	<u>\$ 525,800</u>

See accompanying notes to financial statements.

Ogemaw District Library
Statement of Activities
Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Recreation and culture	\$ 204,999	\$ 4,233	\$ 2,050	\$ (198,716)
Total governmental activities	\$ 204,999	\$ 4,233	\$ 2,050	\$ (198,716)
General Revenues:				
Property taxes				57,903
State grants				8,468
Penal fines				152,180
Interest and investment earnings				8,415
Other				14,317
Total general revenues				241,283
Change in Net Assets				42,567
Net assets - beginning of year				483,233
Net assets - end of year				\$ 525,800

See accompanying notes to financial statements.

Ogemaw District Library
Governmental Funds
Balance Sheet
September 30, 2006

	<u>General Fund</u>
Assets	
Cash and investments (Note 3)	\$ 354,642
Total assets	<u>\$ 354,642</u>
Liabilities	
Accounts payable	\$ 13,600
Accrued and other liabilities	6,461
Deferred revenue (Note 4)	<u>2,625</u>
Total liabilities	<u>22,686</u>
Fund balances	
Reserved for building	618
Unreserved:	
Undesignated	<u>331,338</u>
Total fund balances	<u>331,956</u>
 Total liabilities and fund balances	 <u>\$ 354,642</u>
 Fund Balances - Total Governmental Funds	 \$ 331,956
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 435,197
Accumulated depreciation is	(231,275)
	203,922
Long term liabilities are not due and payable in the current period and are not reported in the fund statements	
Compensated absences	(10,078)
 Net Assets of Governmental Activities	 <u><u>\$ 525,800</u></u>

See accompanying notes to financial statements.

Ogemaw District Library
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended September 30, 2006

	<u>General Fund</u>
Revenues	
Property taxes	\$ 57,903
State grants	8,468
Local grants	2,050
Charges for services	4,233
Penal fines	152,180
Interest earnings	8,415
Other	14,317
Total revenues	<u>247,566</u>
Expenditures	
Current:	
Recreation and culture	174,798
Capital outlay	35,945
Total expenditures	<u>210,743</u>
Net changes in fund balances	36,823
Fund balances - Beginning of year	<u>295,133</u>
Fund balances - End of year	<u><u>\$ 331,956</u></u>

See accompanying notes to financial statements.

Ogemaw District Library
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	36,823
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;
in the statement of activities these costs are allocated
over their estimated useful lives as depreciation.

Depreciation expense	\$	(28,555)	
Capital Outlay		<u>35,945</u>	7,390

Increase in compensated absences are reported as expenditures when financial resources are used in governmental funds.		(1,646)
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Change in Net Assets of Governmental Activities	\$	<u><u>42,567</u></u>
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See accompanying notes to financial statements.

Ogemaw District Library
Notes to Financial Statements
September 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Ogemaw District Library ("the Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Library:

Reporting Entity

The Ogemaw District Library is governed by an appointed eight member Library Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Library's reporting entity, and which organizations are legally separate, component units of the Library. Based on the application criteria, the Library does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the Library as a whole. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The General Fund is the Library's operating fund. It accounts for all financial resources of the Library. The General Fund is the Library's only fund.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - The taxpayers of the Library have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Library was \$207,922,471. The 2005 tax levy was .9941 mills for general operating purposes raising \$57,903 for general operating purposes.

Capital Assets - Capital assets, which include land, buildings, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	50 years
Office furnishings	5-20 years
Library books, periodicals, etc.	10 years
Other equipment	5-20 years

Compensated Absences - It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick leave benefits are accrued as a liability when they have vested. Since unused sick leave and vacation pay are not fully vested, compensated absences are charged to expenditures when taken. The liability for compensated absences is reported as a liability in the government-wide financial statements.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Library has not designated any funds for future use.

Comparative Data/Reclassifications - Comparative data is not included in the Library's financial statements.

Ogemaw District Library
Notes to Financial Statements
September 30, 2006

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Library adopt its budgets by October 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Libraries to amend its budget during the year. During the year the budget was amended in a legally permissible manner.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township incurred expenditure variances as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Capital Outlay	\$ 21,319	\$ 35,945	\$ 14,626

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Library to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library Board has designated one bank for the deposit of Library funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

A reconciliation of cash and investments as shown in the financial statements to the Library's deposits and investments is as follows:

Government-wide Financial Statement Captions:	
Cash and cash equivalents	<u>\$ 354,642</u>
Notes to Financial Statements:	
Deposits	\$ 354,442
Cash on hand	200
Total	<u>\$ 354,642</u>

Ogemaw District Library
Notes to Financial Statements
September 30, 2006

Note 3 - Deposits and Investments (Continued)

Interest rate risk

In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: investing operating funds primarily in shorter term securities and limiting the average maturity in accordance with the Library's cash requirements.

Credit risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRPs). The Library has no investments for which ratings are required.

Custodial credit risk - deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State law does not require and the Library does not have a policy for deposit custodial credit risk. At September 30, 2006, \$219,602 of the Library's bank balances of \$354,442 was exposed to custodial credit risk because it was uninsured.

The Library Board is authorized to designate depositories for Library funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The Library's deposits are in accordance with statutory authority.

Note 4 - Deferred revenue:

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Deferred revenue:		
Restricted grants	\$ <u> -</u>	\$ <u> 2,625</u>
	\$ <u> 0</u>	<u> 2,625</u>
Total deferred revenue		\$ <u> 2,625</u>

Ogemaw District Library
Notes to Financial Statements
September 30, 2006

Note 5 - Capital Assets

Capital assets activity of the Library's Governmental activities were as follows:

	Balance 10/1/05	Additions	Deletions	Balance 9/30/06
Capital assets not depreciated:				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Capital assets being depreciated:				
Buildings	103,853	1,299	-	105,152
Furniture and fixtures	5,055	-	-	5,055
Machinery and equipment	30,562	16,906	-	47,468
Books, Audio-Visual materials, etc.	255,282	17,740	-	273,022
Subtotal	<u>399,252</u>	<u>35,945</u>	<u>-</u>	<u>435,197</u>
Accumulated Depreciation				
Buildings	30,080	2,891	-	32,971
Furniture and fixtures	1,936	253	-	2,189
Machinery and equipment	29,112	1,824	-	30,936
Books, Audio-Visual materials, etc.	141,592	23,587	-	165,179
Subtotal	<u>202,720</u>	<u>28,555</u>	<u>-</u>	<u>231,275</u>
Net capital assets being depreciated	<u>196,532</u>	<u>7,390</u>	<u>-</u>	<u>203,922</u>
Governmental Activities				
Total Capital Assets net of Depreciation	\$ <u>196,532</u>	\$ <u>7,390</u>	\$ <u>0</u>	\$ <u>203,922</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Culture	\$ <u>28,555</u>
Total governmental activities	\$ <u>28,555</u>

Ogemaw District Library
Notes to Financial Statements
September 30, 2006

Note 6 - Risk Management

The Ogemaw District Library is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 7 - Unemployment Compensation

The Ogemaw District Library is a reimbursing employer to the State of Michigan, Department of Consumer & Industry Services and as such is responsible to pay the Agency for all benefits paid and charged to the Library. As of September 30, 2006, the \$6,015 of liabilities paid by the Agency have been recorded as a liability of the Library.

Required Supplemental Information

Ogemaw District Library
 Budgetary Comparison Schedule - General Fund
 September 30, 2006

	Budgeted Amounts		Actual	Variance With Amended Budget
	Original Budget	Amended Budget		
Fund Balance - Beginning of year	\$ 290,746	\$ 290,746	\$ 295,133	\$ 4,387
Resources (Inflows)				
Property taxes	62,377	59,479	57,903	(1,576)
State grants	10,100	8,468	8,468	-
Local grants	4,050	1,132	2,050	918
Charges for services	4,200	4,114	4,233	119
Penal fines	150,577	154,518	152,180	(2,338)
Interest earnings	1,300	4,000	8,415	4,415
Other	7,550	14,180	14,317	137
Amounts available for appropriation	<u>530,900</u>	<u>536,637</u>	<u>542,699</u>	<u>6,062</u>
Charges to Appropriations (Outflows)				
Current:				
Culture	176,949	187,277	174,798	12,479
Capital outlay	<u>25,319</u>	<u>21,319</u>	<u>35,945</u>	<u>(14,626)</u>
Total charges to appropriations	<u>202,268</u>	<u>208,596</u>	<u>210,743</u>	<u>(2,147)</u>
Fund Balance - end of year	<u>\$ 328,632</u>	<u>\$ 328,041</u>	<u>\$ 331,956</u>	<u>\$ 3,915</u>

Other Supplemental Information

Ogemaw District Library
Detailed Statement of Revenues
Year Ended September 30, 2006

Revenues

Tax levy	\$ 57,903
State grants	8,468
Local grants	2,050
Charges for services:	
Fax machine	1,624
Copy machine	2,134
Fees, book sales, book fines	408
Books for patrons	23
Miscellaneous	44
Total charges for services	<u>4,233</u>
Penal fines	152,180
Interest earnings	8,415
Miscellaneous:	
Memorials	680
Donations	8,292
Miscellaneous	5,345
Total miscellaneous	<u>14,317</u>
Total revenues	<u><u>\$ 247,566</u></u>

Ogemaw District Library
Detailed Statement of Expenditures
Year Ended September 30, 2006

Expenditures

Current:

Wages	\$ 109,280
Payroll taxes	7,685
Employee benefits	6,046
Library supplies	2,959
Maintenance supplies	662
Postage	288
Periodicals - newspapers	1,368
Leased audio	4,881
Reading program	1,246
Fees	139
Contractual services	3,327
Memberships	4,734
Workshops	952
Insurance	6,933
Utilities	16,927
Repairs and maintenance	5,887
Copy machine	884
Miscellaneous	600
Total current	<u>174,798</u>

Capital outlay:

Books and audio-visual	17,740
Other	18,205
Total capital outlay	<u>35,945</u>

Total expenditures	<u><u>\$ 210,743</u></u>
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